



Department of Justice

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GULFSTAR COMMUNICATIONS ABANDONS PURCHASE OF THREE ARKANSAS RADIO STATIONS AFTER JUSTICE DEPARTMENT EXPRESSES ANTITRUST CONCERNS

Justice Department said Deal would have Led to Higher Advertising Prices in Northwest Arkansas

WASHINGTON, D.C. -- Gulfstar Communications Inc. abandoned its efforts to acquire three Arkansas radio stations from Demaree Media Inc. after the Department of Justice expressed concerns that the deal would substantially reduce competition and lead to higher advertising prices in Northwest Arkansas, the Department announced today. In addition, Gulfstar said it would notify the Department's Antitrust Division before making any further radio station purchases in Northwest Arkansas.

"If Gulfstar had acquired the Demaree stations, small businesses in Northwest Arkansas would have lost the benefits of competition--lower prices for their advertising," said Joel I. Klein, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "The decision by Gulfstar and Demaree to abandon this transaction preserves that competition."

In 1996, Gulfstar made a series of radio station acquisitions in Northwest Arkansas. First it acquired KEZA-FM from Communications Corp. of America. Gulfstar then signed an agreement with Noalmark Broadcasting Company to purchase KKIX-FM and KKZQ-FM, and entered into negotiations with Demaree to

purchase KFAY-AM, KFAY-FM, and KKEG-FM. Gulfstar has been operating the Noalmark stations under a local marketing arrangement (LMA) pending consummation of that deal.

The three deals would have given Gulfstar more than 62 percent of the 1995 advertising revenue in the Northwest Arkansas radio market, the Department said.

Following an antitrust investigation, the Department expressed concerns that completing all three deals would substantially reduce competition and lead to higher advertising prices in Northwest Arkansas. The Department's concerns prompted Gulfstar and Demaree to terminate their negotiations.

By abandoning its efforts to acquire the Demaree stations, Gulfstar's share of 1995 advertising revenues in Northwest Arkansas would be about 48 percent. Gulfstar will continue to face competition from Demaree, which should intensify since Demaree has recently upgraded the signal strength of KFAY-FM, the Department said.

Gulfstar Communications Inc., based in Austin, Texas, is a holding company that owns or has under contract 30 radio stations in 11 markets in Texas, Louisiana and Arkansas.

Demaree Media Inc., based in Fayetteville, Arkansas, owns radio stations in Fayetteville, Fort Smith and Huntsville, Arkansas as well as Joplin and Springfield, Missouri and Sallisaw, Oklahoma.

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Noalmark Broadcasting Company, based in El Dorado, Arkansas, owns and operates radio stations in Arkansas and Texas.

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